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ABSTRACT

This report proposes reform recommendations in the Federal Student Loan Program that are intended to reduce government (and taxpayer) costs, allow for the incorporation of the National Service Initiative, and provide more flexible repayment terms for borrowers. The proposal provides for an evaluation period for direct government lending, the adoption of broad student loan program simplification, and the reform of student loan delivery and financing systems providing a budget savings to the government of more than $4.7 billion over 5 years. Other aspects of the proposal include: (1) immediate implementation of the National Service Initiative at the local, state, and regional levels using the existing student loan administrative structure; (2) immediate access to a variety of student loan repayment options to all student borrowers, including income contingent repayment and traditional repayment and community service forgiveness; (3) the creation of a single, national federal student loan program and a federal parent loan program to replace existing, overlapping loan programs; and (4) the simplification of federal education loan programs designed to reduce defaults and the sharing of default costs by private participants. (GLR)

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ED 363 148

Reinventing the Federal Student Loan Program

A proposal to ensure the stability of the federal student loan program, improve service to students and save taxpayers money

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COALITION FOR STUDENT LOAN REFORM

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C S L R COALITION FOR STUDENT LOAN REFORM

The Honorable Bill Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

The Coalition for Student Loan Reform, a nationwide group of participants in the federal student loan programs, share your many goals that will serve to open wide the doors of educational opportunity to all those who want to pursue postsecondary education. We believe it is essential to adopt reforms to ensure that student loan funds are delivered in the most reliable and cost-effective manner.

To this end, we have developed the enclosed proposal which would preserve what is best of the current system, while making important reforms. The plan is designed to achieve your many goals. It is fully compatible with your National Service Initiative, gives students more manageable repayment options, simplifies the delivery of loans, reduces the costs of defaults, and saves the taxpayers billions of dollars.

Rapid implementation of a Department of Education-administered direct lending program to replace the current public-private partnership is a potentially risky undertaking. This prospect has prompted hundreds of postsecondary institutions throughout the nation to voice concerns. We all agree the pilot program enacted by Congress last summer should be given time to work so policymakers can make an informed assessment about whether direct lending is a feasible and better alternative.

The plan we propose will preserve the stability of the current system while care is taken to evaluate whether the untested concept of direct government lending is indeed the better approach. We believe this proposed series of reforms joins your interest in providing the very best education loan program for American students, their families, colleges and the taxpayer.

We applaud your commitment to education, service and innovation. We hope you can embrace these important reform initiatives as together we work with the Congress to improve the federal student aid programs.

Sincerely,

Dan Cheever

Chairman
Coalition for Student Loan Reform

1875 Connecticut Ave., N.W. ■ Suite 640 ■ Washington, D.C. 20009
202/328-6109 ■ 202/667-0902 (fax)

Highlights of Coalition Reform Proposal

Proposed Coalition reforms offer the Administration and Congress the opportunity to achieve broad policy objectives through reform of the current public-private loan delivery partnership, which has grown during its 27-year history to become the largest source of assistance for those seeking postsecondary education.

The Coalition proposal allows the opportunity to assess direct government lending through the pilot program established by Congress last year while creating none of the disruption that could jeopardize access to loan funds by moving to this alternative prematurely.

This reform plan is fully compatible with the proposed National Service Initiative, gives students more manageable repayment options, simplifies loan delivery, reduces the cost of defaults and saves taxpayers billions of dollars. Below is a summary of its many advantages.

More Options, Improved Service for Students

- Immediate integration of federal loan programs and the National Service Initiative (NSI), with reduced administrative costs.
- Manageable income contingent loan repayment options while avoiding controversial IRS collection.
- Reforms, too, that reduce costs to students.

A Simplified Program for Students and Educational Institutions

- One loan program, one application, one set of rules.
- Less paperwork, less processing, less confusion, less cost to schools.
- Preserves a reliable and proven source of funds.
- Retains the Direct Loan Demonstration Program.

More Efficient Student Loan Management by Private Sector

- Provides for risk sharing by program participants.
- Reduces federal subsidies and administrative cost payments.
- Ensures Sallie Mae pays its fair share.
- Increases accountability/responsibility of program participants.

Saves the Taxpayer Billions

- Reduces federal expenditures by $4.7 billion over five years.
- Reduces default costs.
- Averts the need for the U.S. Treasury to provide $100 billion in new debt.
- Eliminates the need for increases in the Federal workforce.

Promotes Important National Goals

- Assures universal access to higher education.
- Promotes national service.
- Preserves the Pell Grant for the neediest of Americans.
- Affirms and important national objective of encouraging public-private partnerships to solve America's toughest problems.

Coalition's Reform Proposal Details

Guarantors

1.Reduce the Administrative Cost Allowance to 0.5% from 1% and eliminate the Reinsurance Fee.

Estimated Savings **$244 million**

2. Reduce default collection retention to 28% from 30%.

Estimated Savings **$170 million**

3.Reduce the Reinsurance Level to 96% for the first 5% of the annual defaults, 90% for the defaults between 5% and 9%, and 80% for the defaults in excess of 9%.

Estimated Savings **$302 million**

Lenders/Secondary Markets

4. Reduce the In-School interest subsidy to T-Bill + 2.45%

Estimated Savings **$1,267 million**

5.Eliminate the Tax-Exempt floor and set the Special Allowance Payments for loans financed with tax-exempt financings at 85% of the special allowance payment received for loans financed with taxable financings.

Estimated Savings **$544 million**

6. Assess Sallie Mae a quarterly interest offset fee of .35% on its portfolio's prinicipal balance outstanding.

Estimated Savings **$566 million**

Program Enhancements

7.Provide for income-sensitive repayments for borrowers which will allow all borrowers to extend their repayment period up to 20 years and which will extend the delinquency period by 90 days, thereby allowing lenders and guarantee agencies more of an opportunity to avert defaults.

Estimated Savings **$1,596 million**

8.Require multiple disbursement of PLUS loans, which will reduce interest costs and lower the dollar amount of defaults purchases.

Estimated Savings **$110 million**

TOTAL ESTIMATED SAVINGS **$4,799 MILLION**

NOTE: Except in details #5 and #7, all Coalition recommendations would apply prospectively with respect to loans originated after enactment of changes.

Introduction

Reinventing the Federal Student Loan Program

COMMON GROUND

Reasonable minds agree that student loans—now the nation's primary form of financial aid—should reflect the following characteristics:

- Readily accessible to all who need them.
- Simple to understand and negotiate.
- Flexible in their repayment terms, including the possibility of a National Service alternative.
- Reasonable in their administrative costs.
- Successful in achieving high repayment rates and low default costs.

The Risk of Direct Government Lending

The challenge lies in discovering the best way to achieve those goals in the most effective and economical way possible. Direct government lending is one idea gathering momentum in some policy circles. That concept would dismantle the public-private partnership that has funded and administered student loans for nearly three decades and replace it with a taxpayer funded and government administered program. In direct government lending, the government would lend money directly to students through schools, which would serve as loan originators.

Proponents have advanced that concept on the grounds that it would eliminate the role of intermediaries—lenders, secondary markets, guarantors and, possibly, servicers—thereby reducing costs and eliminating administrative confusion.

But at least three studies, one by the Congressional Research Service, one by Ernst & Young and one by KPMG Peat Marwick have all refuted the estimates of cost savings to be derived from direct government lending.

In addition, direct government lending carries with it serious financial and service risks. It would add $15 billion a year in liabilities to the nation's debt. Ultimately, taxpayers would either have to carry this entire burden, or Congress would decide to limit access to student loans, much as it has for Pell grants.

Most postsecondary schools have no experience as lenders, yet they would have a direct line to the U.S. Treasury. They would be called upon to make good loan decisions and process loan applications reliably. If they did not, either they or taxpayers would have to bear the liability for problem loans. In addition, the Department of Education, which has already been criticized by government auditors for its mismanagment of the student loan program, would carry primary responsiblilty for administering the entire program. Either the Department or its low-bid contractors would be entrusted to deliver some $15 billion annually to 3.4 million students attending 8,000 schools across the country. Subsequently, the government or its lowest bidders would be responsible for loan collections and controlling defaults of those loans. The

Department of Education has neither the personnel nor the technology necessary to handle such a monumental task.

Alternative Vision

Rather than risk the entire delivery system of student loans, members of the Coalition have worked together to prepare an alternative plan. This plan builds on the strength and experiences of thousands of men and women across the country whose careers have been dedicated to delivering the student loan program for more than a quarter century. The plan achieves more than $4.7 billion in savings over five years—more than is purported to be saved by direct government lending without risking delivery of loan funds.

The Coalition proposes a privately funded alternative to the direct government lending plan contained in President Clinton's FY 1994 budget. This alternative would rely on the private sector to fund federally guaranteed student loans, as is the case today, but through a simplified delivery system which reduces federal costs, cuts loan defaults and gives students wide flexibility in their loan repayment options.

Under the attached proposal, savings to the federal government of more than $4.7 billion over 5 years would result through the adoption of broad student loan financing reforms, including a shift in loan default costs from the public to the private sectors and reductions in federal subsidy payments to financial participants in exchange for needed reform of the regulatory environment and broad simplification of federal student loan programs.

The Coalition proposal calls for testing direct government lending as provided by existing law before replacing the current Federal Family Education Loan Programs (FFELP) with such an alternative. However, the proposal would substantially change the current loan programs to provide for early enactment of many of the President's higher education goals.

The proposal recognizes that the current federal student loan programs (FFELP) require dramatic change. It gives student borrowers the repayment flexibility they need, simplifies delivery of student loans, substantially reduces the program's costs over the next 5 years, reduces defaults, and provides for integration and is fully compatible with the President's National Service Initiative (NSI).

This proposal is designed to improve federal student loan programs for the student. It expands a student's loan repayment options, reduces the steps required to secure an education loan and makes federal student aid programs understandable—for students and their families.

This proposal is also designed to improve the delivery of student loans to colleges and universities. Postsecondary institutions require specific assistance to meet their needs, including student loan processing support, student loan origination and disbursement services, and loan counseling assistance. Under this proposal, a privately managed student loan delivery system would continue to serve the individual needs of financial aid offices and bursar's offices.

The Coalition proposal offers Congress and the Administration the opportunity to achieve broad policy objectives for student loan reform by reinventing the current public-private loan delivery partnership. The proposal offers the advantage of private program funding and management of a single, national student loan program with a standard set of terms and

conditions. It offers a single, variable interest rate loan with a "subsidized" option for needy student borrowers and a variety of loan repayment options including income-contingent, traditional or community service forgiveness.

The Coalition proposal supports the demonstration and evaluation of the direct student loan pilot program as envisioned by Congress in the Higher Education Amendments of 1992, but limits direct lending to the demonstration program until a determination can be made that such a program is a cost-effective alternative, capable of supporting all students and all schools, large and small.

Six objectives guide the coalition's reform proposals:

1. **Income-contingent repayment options which would provide flexibility to any student borrower who chooses to reduce loan burden during the initial years of repayment or to extend the repayment period, and specialized default avoidance assistance should any student become delinquent on a student loan;**
2. **Immediate integration of loan programs and the National Service Initiative (NSI), providing pre- and post-college loan forgiveness in exchange for community service;**
3. **Access to federal education loans for all students and parents, including middle-income Americans, sufficient to meet their college cost obligations well into the future;**
4. **Dramatic simplification of the student loan delivery system for students, schools, parents and the private participants who deliver loan program and funding services;**
5. **Reduction in student loan defaults and the cost of defaults to the U.S. taxpayer through increased risk-sharing by guarantors and greater flexibility in student loan repayment terms;**
6. **Demonstration and evaluation of a direct government lending pilot program to determine cost and management requirements at the federal and institutional levels.**

Collectively, the following student loan financing reforms offer true federal budget savings comparable to those assumed under direct lending. In addition, these reforms allow the U. S. Department of Education to move the direct lending plan forward on a true pilot basis, as envisioned in the Higher Education Amendments of 1992.

The Coalition's proposal preserves the current public-private national student loan partnership through meaningful reform. Private lenders rather than the U.S. Treasury, would continue to provide student loan capital, but at reduced cost. Guarantors would reduce federal loan default costs by sharing default risk; these agencies would also play an administrative role in the National Service Initiative (NSI). Colleges and universities would benefit from a simplified loan delivery system with local program management.

Most importantly, students would benefit from a variety of loan repayment options including traditional repayment terms, income-contingent repayment terms, linkage with the NSI and specific loan default-avoidance assistance when a borrower faces repayment difficulty. Savings from the Coalition plan might be applied to reduce future student interest rates or extend student loan consolidation opportunities.

COALITION PROPOSAL

1. Improved Student Loan Repayment Options

Any student wishing to enter into income-contingent loan repayment may choose to do so, at an extended repayment period of up to 20 years. Options for traditional repayment, however, should continue to be available. Borrowers facing difficulty repaying their loans also would be offered an additional delinquency period prior to default, during which time an intensive period of borrower assistance and collection activities would occur. By providing such relief to current as well as prospective borrowers, this proposal offers substantial federal budgetary savings by significantly reducing loan defaults.

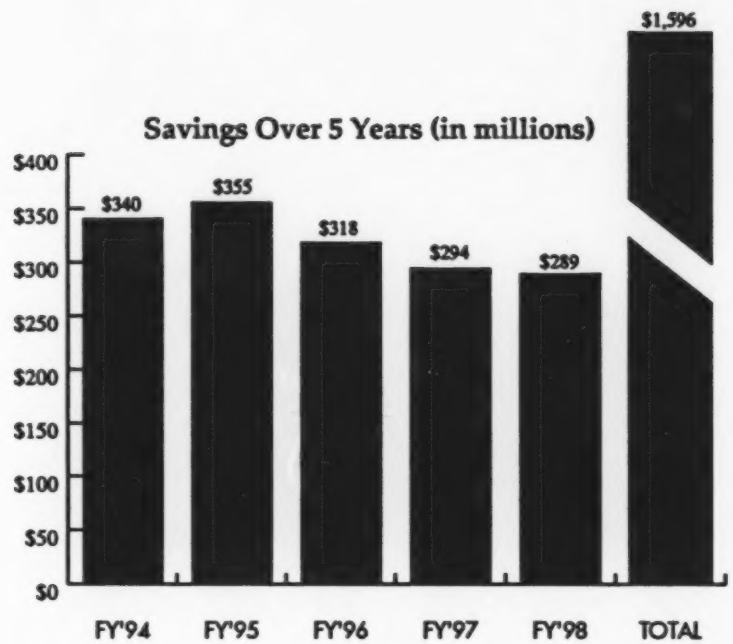
A. Income-Contingent Repayment

Borrowers may elect to repay their loans on an income-contingent basis at any time during the life of the loan. The holder of the loan shall offer the borrower a range of income-contingent repayment schedules which provide the borrower with the ability to limit monthly obligations in the early years of repayment, as well as to extend periods of repayment for up to 20 years.

B. Safety Net Against Defaults

Defaults are already dropping ($3.5 billion in FY 1991 to $2.7 billion in FY 1992) because of previous reforms and the following reform proposal would reduce them further:

Lengthen the time during which a borrower can avoid default. Current policy allows only six months for a delinquent borrower to avoid formal default. Students facing default should be given more time to gain sufficient employment to meet their student loan obligations and to respond to the default prevention activities of lenders and guarantors. Based on loan program data, a substantial percentage of current defaults could be avoided if students were offered nine months of delinquency, particularly if offered special assistance to avoid default during this time.



2.Links Between Federal Student Loans and the National Service Initiative (NSI)

Today, lenders and guarantors process thousands of loan deferment forms. Current deferment processing costs are incurred by the loan holder/servicer at no cost to the government. NSI loan forgiveness could be accomplished in a comparable manner. Lenders would process post-college loan forgiveness as part of the NSI by developing simple procedures in cooperation with the Commission on National and Community Service and the U.S. Department of Education. As is currently true for deferments, a qualifying student's loan repayment responsibilities would be suspended. Once community service is complete, a credit would be applied to the outstanding loan balance. Current student loan account reconciliation, conducted between lenders and the federal government, would be augmented to include NSI account reconciliation.

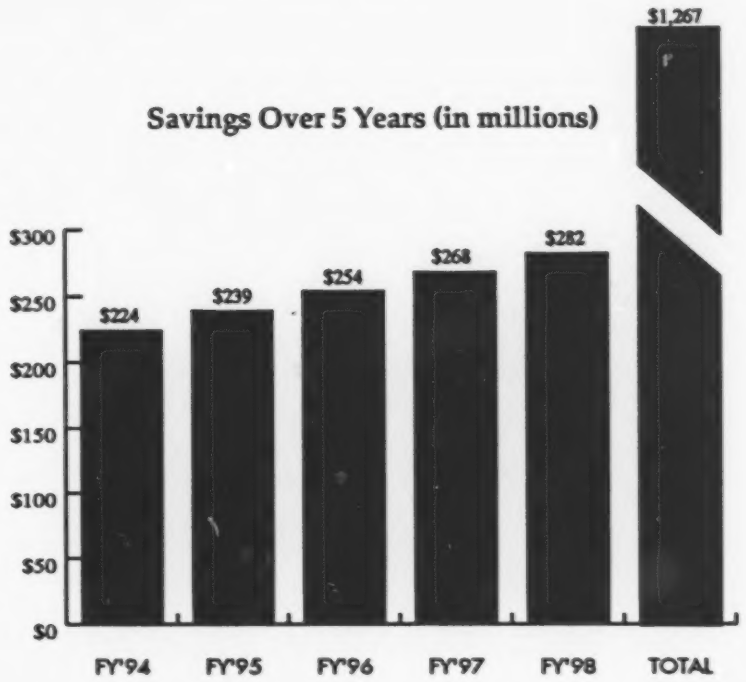
This proposal recommends using the existing student loan program infrastructure to carry the NSI forward at the local level. Lenders and guarantors already track student academic progress as part of the current loan program requirements. Every postsecondary institution in the country is integrated into the current loan delivery system. The relationships are processing-oriented and highly automated. NSI loan credit or forgiveness could become operational within the existing delivery system almost immediately.

3. Reduced Lender Yield for Subsidized Loans from T-Bill + 3.1% to T-Bill + 2.45% During In-School Periods (excluding deferments)

Substantial reductions in interest subsidy expense are possible and can yield large savings to the federal government. Many schools, guarantors and lenders have created streamlined loan delivery arrangements, including electronic funds transfer and the use of escrow agents, which can significantly lower the cost of loan origination for lenders. Secondly, the cost of servicing a student loan during the in-school period is lower than when it is in repayment. This proposal recognizes such cost differentials.

Reduced lender yield would also be made possible by an improved federal regulatory environment. This could be achieved by shifting to outcome- and performance-based Title IV regulations from the current labyrinth of "Dear Colleague" letters, private Department of Education letters and costly, process-based oversight and micromanagement of private financial participants in the loan programs.

Streamlined procedures, coupled with regulatory reform and adoption and implementation of the standardization and simplification reforms set forth later in this proposal, make reductions in participating lender yield possible and offer substantial savings within the current program.



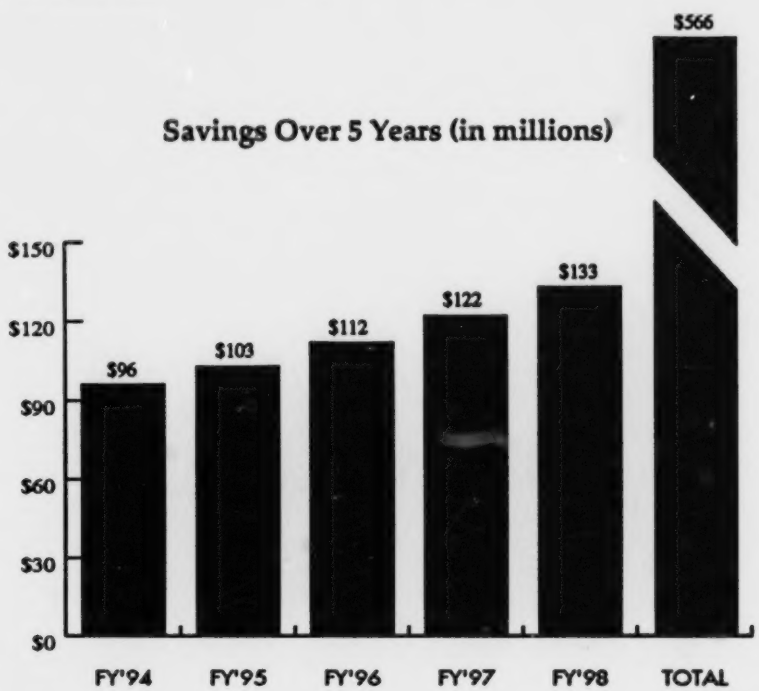
4. Special Student Loan Program Cost-Sharing Responsibilities of the Student Loan Marketing Association (Sallie Mae) and Elimination of Guaranteed Minimum Yield to Non-Profit Secondary Markets.

A. Sallie Mae

Sallie Mae was created by Congress in 1972 to provide an adequate secondary market for federally guaranteed student loans. Without a healthy, national secondary market for education loans, it is likely that many private lenders would have curtailed their investment in the federal student loan program.

Today, the national secondary market for student loans is larger and healthier than ever. While Sallie Mae has become the dominant financial player due to its low cost of funds and low processing costs resulting from its economy of scale, other secondary markets also meet the liquidity needs of lenders.

Sallie Mae's lower costs enable it to remain competitive even if its yield is reduced. This proposal recommends that an interest and special allowance offset of .35% be assessed and collected quarterly on the principal balance outstanding of loans owned by Sallie Mae.



B. Non-profit Secondary Markets

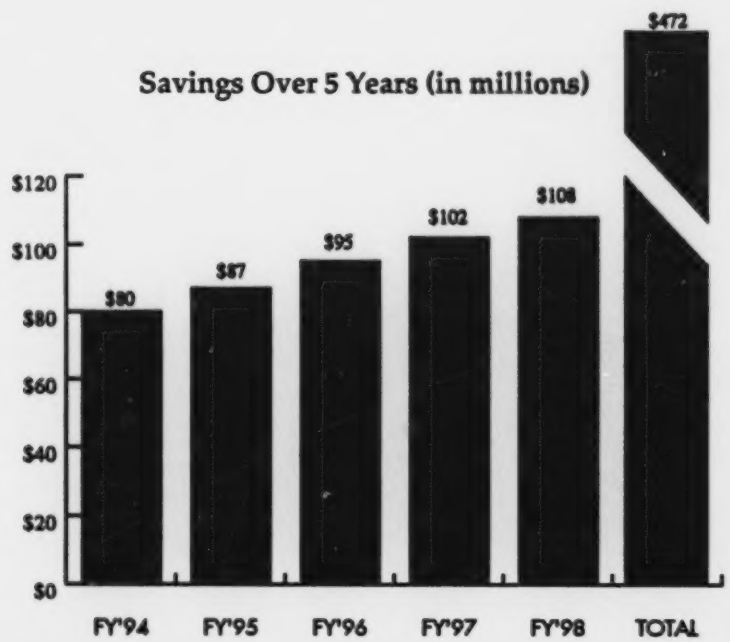
Currently, non-profit secondary markets, as public purpose entities, originate or purchase loans with the proceeds of tax-exempt obligations and are guaranteed a minimum yield on certain of their student loans of 9.5%, regardless of the rate of Special Allowance Payments (SAP) made to other lenders. The proposed amendment would eliminate this guaranteed minimum yield for tax-exempt loan holders. It would only apply to loans financed by debt obligations issued beginning in federal fiscal year 1994, so as not to jeopardize outstanding tax-exempt financings. For those loans with no guaranteed minimum yield, SAP for tax-exempt holders should also be adjusted upward, to 85% of the rate payable to all other loan holders.

5. Increased Loan Default Risk-Sharing for Guarantors Through Increased Financial Penalties in the Event of a Default.

The current default "trigger" mechanism reimburses guarantors at progressively lower levels (below 100%) if their annual default rates rise above 5%. The total federal reimbursement rate for fiscal year 1992 was approximately 99%.

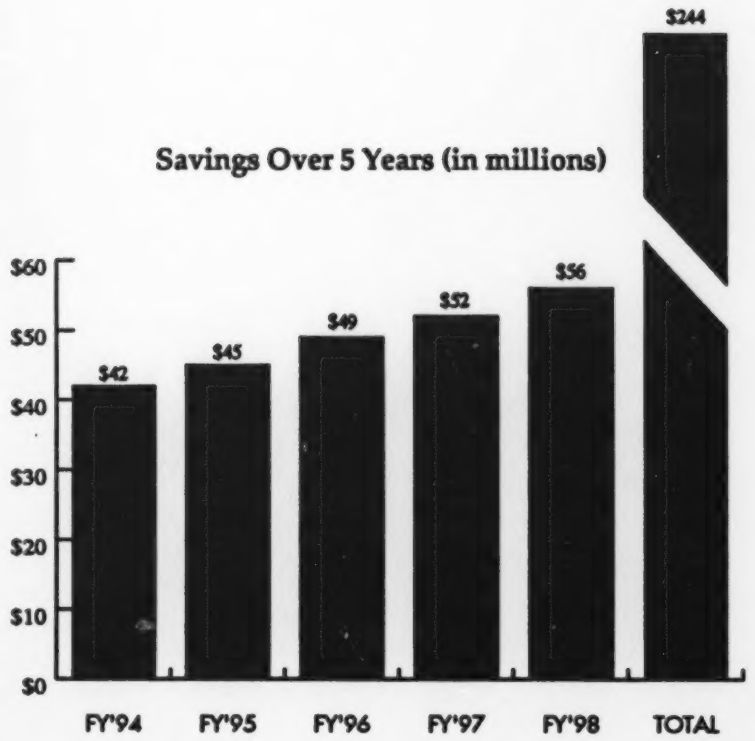
The administration and Congress should reduce guarantor claim reimbursements to 96% for guarantors with less than a 5% default rate; 90% if their default rate is greater than 5% and less than 9%; and 80% if their default rate is greater than 9%. Such an amendment will not only reduce federal loan program costs, it will provide a superior incentive to all guarantors to avert student loan defaults wherever possible.

Secondly, this proposal recommends that guarantors be permitted to retain only 28% of all loan default collections rather than the current 30%. This provision would increase remittances to the U.S. Department of Education on each defaulted loan collected, thereby reducing federal loan program costs. After considering fees paid to collection agencies by both the Department and guarantors and the internal administrative costs incurred by both, this change would maximize the amount which the Department would collect on defaulted loans.

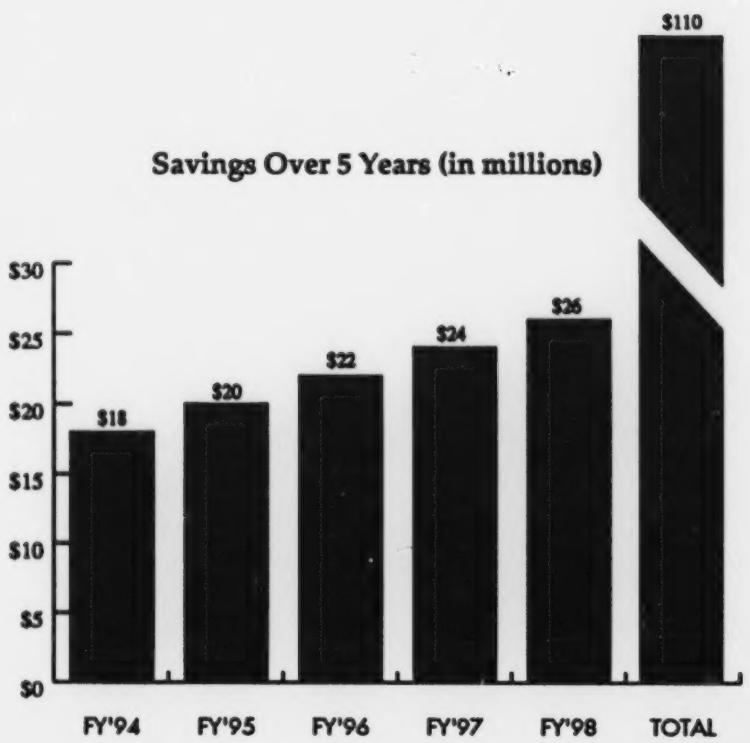


6. Additional Savings Recommended

A. Guarantor Administrative Cost Allowance, currently paid by the federal government at 1.0% of annual guarantee volume should be reduced to 0.5%. The reinsurance fee paid by guarantors, which is netted against the administrative cost allowance and which varies from 0.25% to 0.50%, should be eliminated. The net fee paid to guarantors will therefore be reduced to 0.5%.



B. To further reduce the incidence of default and to preserve the integrity of the Parent (PLUS) Loan program, PLUS loans should be subject to multiple disbursement.



7. Maximum Simplification for Students—Maximum Cost Reduction Through Regulatory Reform

A. Simplification

A single, national federal student loan program and a federal parent loan program would replace the existing, overlapping loan programs. One application process will make loan repayment easier and eliminate any defaults which could be the consequence of student confusion over multiple loan programs and multiple terms and conditions.

Simplify all forms and procedures nationwide—including applications, promissory notes, deferment forms (including National Service Initiative) and uniform data exchange standards. The coalition advocates moving beyond standardization as outlined in the 1992 Amendments. The result will be better comprehension among students and their parents about the loan delivery and repayment process. The result for schools will be a more understandable and less burdensome loan processing mechanism with which to serve students.

Eliminate the current requirement for a separate and distinct student loan application by allowing schools to access important individual student data supplied through the Free Application for Federal Student Aid.

Allow guarantors to offer all schools electronic loan processing based on an approved electronic application software package compatible with a national student loan database still under development. This will ensure the student an even more rapid delivery of education loan funds. It will lead to the elimination of costly data input in the financial aid office and reduce paperwork burden. Instantaneous tracking of student status, nationwide, will also help reduce defaults.

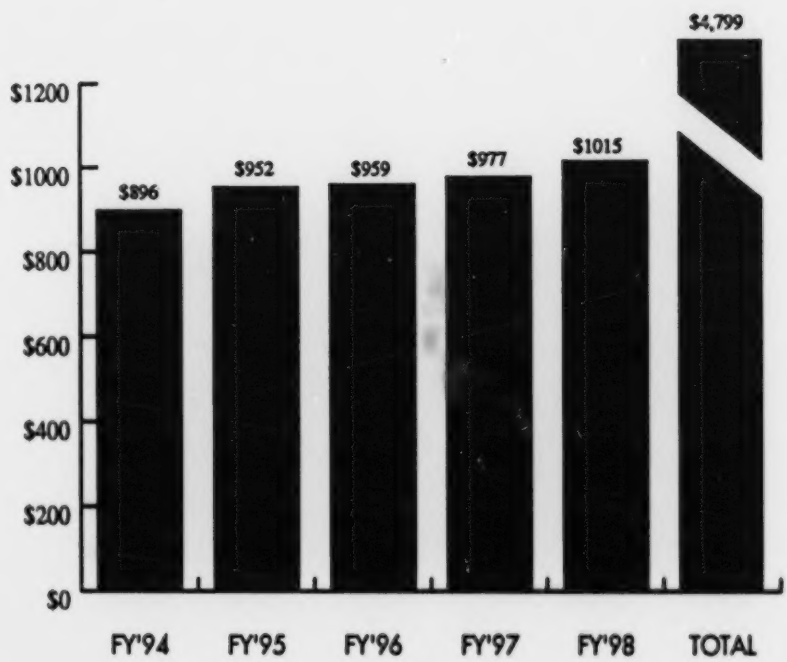
B. Regulatory Reform

Financial participants in the current loan program face a regulatory environment badly in need of reform. Instead of performance-based and outcome-oriented regulation, loan program oversight has been implemented by the U.S. Department of Education (USDE) in the absence of timely regulations. Instead, the federal loan programs have been regulated under layers of Dear Colleague letters and private USDE letters.

Regulations in place do not reflect current law, forcing guarantors, lenders, secondary markets and postsecondary institutions to base financial and administrative judgments on interpretation of various Dear Colleague letters and, sometimes, guesswork.

The Coalition proposes a switch to simple, outcome-oriented regulation within federal student loan programs. Financial participants in the program are prepared to be held accountable to the highest standards in the provision of service to students and postsecondary institutions.

Total Savings Under the Coalition Proposal Over 5 Years (in millions)



CONCLUSION

The financing of higher education is at a crossroads. President Clinton, members of Congress, financial aid professionals and participants in the student loan industry recognize that changes are needed to a system that has grown from a small, supplemental program to the largest source of assistance for those seeking postsecondary education. However, while most would agree that access to education, cost savings to the government, streamlining and lower default rates are goals of the highest priority, opinions differ sharply about how these objectives can best be achieved.

This proposal by the Coalition for Student Loan Reform demonstrates how these goals can be met almost immediately. It would create none of the disruption that could jeopardize access or increase default risks. While reducing costs to the government, and therefore the taxpayer, it allows for the incorporation of the National Service Initiative and more flexible repayment terms for borrowers.

As a nation, we cannot afford to jeopardize the system of postsecondary education on which so much of our future depends. Most importantly, we cannot risk the failure of a direct lending experiment, which shifts responsibilities from an established loan delivery infrastructure to an unproven, and as yet non-existent, federal bureaucracy. Delivery of billions in education loans to students and parents who depend on these dollars for access to postsecondary education must not be jeopardized when solutions exist within today's public-private loan delivery partnership. By combining what has worked well in the present system with creative improvements, we can maximize benefits to taxpayers, students and the nation.

Summary of Coalition Proposal

1. The Coalition proposal includes an evaluation period for direct government lending, adoption of broad student loan program simplification and reform of student loan delivery and financing systems to provide budget savings to the federal government of more than $4.7 billion over five years. The proposal is designed to achieve President Clinton's stated goals of access to postsecondary education for all who seek it, a better student loan repayment system, student financial aid and the National Service Initiative (NSI), a reduction in student loan defaults, creation of a simple and understandable education loan program and, finally, an opportunity to assess direct lending without risking access to student loans for all who qualify.

The Coalition proposal provides the opportunity to make a more efficient public-private education financing partnership work for college students in America. The President's planned alternative of direct government lending and federal management of all student loan programs should be evaluated before students at colleges and vocational schools are required to depend on such a system for their education—a system which, if it fails, will create a severe and immediate crisis affecting millions of students and families.

2. All student borrowers would have access to a variety of student loan repayment options, including income contingent repayment, traditional repayment and community service forgiveness. In addition, any student facing repayment difficulty would benefit from a loan default safety net, an extended period of individualized default avoidance assistance totaling 9 months.

3. The National Service Initiative (NSI) would be immediately carried forward at local, state and regional levels using the existing student loan administrative structure. Under this plan, many of the NSI's administrative costs would be borne by private loan program participants at no cost to the federal government.

4. Federal education loan programs would be made simple, defaults would be reduced and default costs would be shared by private participants. Broad regulatory reforms and higher standards of service to students and schools are key components of the Coalition proposal. Collectively, all of these changes would result in a shift of billions in federal program costs to guarantors, lenders and other financial participants in the loan programs, including the Student Loan Marketing Association (Sallie Mae).

A. Private lender yield for subsidized loans would be reduced from T-Bill + 3.1% to T-Bill + 2.45% during in-school periods (excluding deferments).

B. The Student Loan Marketing Association (Sallie Mae) would bear more of the costs of the loan programs by rebating a portion of its earnings to the federal government. Sallie Mae would be assessed an interest and special allowance offset of .35% on the outstanding principal balance of the loans it owns.

C. Non-profit secondary markets would also share program costs, in recognition of their tax-exempt funding advantages. Current guaranteed minimum yield for tax-exempt loan holders would be eliminated, and Special Allowance Payments (SAP) would be set at 85% of the rate payable to other loan holders.

D. Guarantors would be penalized for any default by sharing default cost and liabilities with the federal government. 100% federal backing of the loan program would be replaced by a partnership where costs are shared and financial penalties instituted to keep defaults low. Federal administrative subsidies to guarantors (all are state agencies or non-profit organizations) would be reduced by 50%. Guarantor collection retention would be reduced to 28%. The current federal reinsurance formula would be replaced by 96%/90%/80%.

E. Parent (PLUS) Loans would be multiply disbursed to preserve integrity of the PLUS program and avoid unneeded defaults.

5. A single, national federal student loan program and a federal parent loan program would replace the existing, overlapping loan programs. Loans would be delivered through a simplified, standard application and a line of credit for entering freshmen.

6. The combined five-year savings to the federal government total more than $4.7 billion under the Coalition proposal.